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17	D/NESA		X		
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19	NIO/NESA		X		
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Executive Secretary

8 Jan 86

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Central Intelligence Agency



Washington, D.C. 20505

8 January 1986

MEMORANDUM FOR: The President  
The Vice President  
Secretary of State  
Secretary of Defense  
Assistant to the President for  
National Security Affairs  
Chairman, Joint Chiefs of Staff

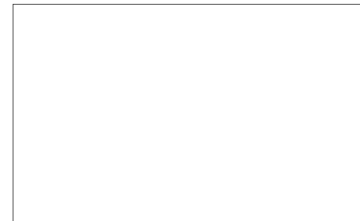
SUBJECT: Libya-US: Repercussions of the President's  
Special Measures

The attached analysis assesses Libya's potential reactions to the measures the President announced last night. While it suggests that there are obviously risks, it states that in the military arena there is a greater risk of air clashes in the Gulf of Sidra than of attacks on US ships, but notes that Qadhafi is still very concerned about the possibility of a US military strike. On the economic side, it notes that the economic sanctions will have some real short-term effect but no significant long-term impact without support from the Europeans.

William J. Casey  
Director of Central Intelligence

Attachment:   
Directorate of Intelligence Memorandum,  
dtd 7 January 1986, Same Subject as Above

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Central Intelligence Agency



Washington, D.C. 20505

## DIRECTORATE OF INTELLIGENCE

8 January 1986

LIBYA-US: Repercussions of the President's Special MeasuresSummary

We believe Qadhafi's response to the movement of US naval forces into Libyan-claimed waters in the Gulf of Sidra will be determined by the depth of US penetration, the duration of US military operations, and the mix of air and surface units involved. Despite the public emphasis on economic sanctions, Qadhafi probably still is wary of a US military strike. He sometimes acts erratically under pressure, increasing the risk that he will misjudge US intentions and order his military to engage US forces. The cutoff of US economic ties with Tripoli will have some immediate disruptive effect, but will have little impact over the longer term without substantial involvement from other OECD countries.

\* \* \* \* \*

Libyan forces are already at full alert and [redacted] they are taking seriously reports that Israeli and US units will soon strike.

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-- Libyan ships and submarines have staged to points along the Libyan coast to better respond to the perceived threat once the advancing units are located.

This memorandum was prepared by [redacted] the Maghreb Branch, Arab-Israeli Division, Office of Near Eastern and South Asian Analysis and [redacted] the Office of Global Issues. Information as of 7 January 1986 was used in its preparation. Questions and comments should be directed to Chief, Arab-Israeli Division, at [redacted]

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Qadhafi's Next Moves

Qadhafi will weigh carefully his options in countering the movement of US naval forces into Libyan-claimed waters and airspace in the Gulf of Sidra. Emotionally, he will be attracted by the notion of destroying a US ship or aircraft, but he will want to avoid giving the US a pretext for broader military action against Libya.

Qadhafi, therefore, probably will decide a course of action only after US ships are in the Gulf.

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[REDACTED] practice in August 1981, the only time in the last seven years that US ships have entered the Gulf. On that occasion, Libyan ships operated close to US ships in and north of the Gulf, but never fired. At several points the Libyans could have fired their anti-ship missiles point-blank, but refrained.

A more forceful response is not likely if the US penetration of the Gulf is shallow.

- In 1981, the deepest penetration involved two US ships stationed 15 nautical miles south 3230N. (The Gulf of Sidra is about 90 nautical miles deep.)
- The likelihood of an engagement increases, however, the longer the US ships remain in the Gulf, the nearer they are to the Libyan coast, and the nature of any approach to Libyan civilian or military targets. A high-speed run toward Surt--Qadhafi's tribal heartland--exemplifies an action likely to prompt a Libyan order to fire.

Qadhafi's reaction to US aircraft operating in or near the Gulf of Sidra is less predictable. Jet aircraft can move from international airspace to Libyan cities in minutes, and Libyan interceptors have always tried to meet them well away from the Libyan coast. The potential for the Libyans to misread US

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intentions is much higher with aircraft than with ships and we would have little warning of Libyan hostile intent.

- Libyan interceptors probably will fire on those that appear to be intent on reaching the Libyan coast. The evaluation almost certainly will have to be made by pilots and their ground controller without waiting for orders from Tripoli, significantly increasing the chances for a clash that the Libyan high command may not intend.

[REDACTED] the incident in which a Libyan fired at a USN F-14 in August 1981 may have been initiated by the Libyan pilot.

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Libyan forces have the capability to mount a challenge to US ships and aircraft in and near the Gulf of Sidra if Qadhafi orders them into action.

- The Libyans will be forewarned of the US approach with the radio direction finding equipment, reconnaissance aircraft, and radar. They probably also will receive early warning from the Soviet IL-38 reconnaissance aircraft, which were scheduled to deploy to Libya yesterday [REDACTED]

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- Tripoli has had at least six days of alert conditions in which to make its aircraft fully ready for operations. The Libyans probably can scramble up to 125 missile-armed fighters in a 24 hour period, including their best interceptor, the new MIG-23MLD (Flogger-G), as well as MIG-25s, older MIG-23s (with about 20 flown by Syrians), and Mirages. This rate was nearly achieved in 1981, when the Libyans flew over 100 aircraft within 24 hours of our arrival near the Gulf. Most of the Libyan pilots are only marginally qualified for combat by US standards, but all are probably capable of firing their air-to-air missiles and perhaps 10 percent are quite skilled.

- As many as a dozen missile ships and three submarines may be active in the Gulf within twelve hours of the arrival of the US ships. The Libyan Navy has 31 missile ships and six submarines, but some will be kept out of the Gulf to defend Tripoli and Tobruk [REDACTED]

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[REDACTED] some have already suffered mechanical problems after just a few days at sea. Training levels in the Libyan Navy are low, and probably only one quarter of their missile ships can fire; this rate, however, would still allow as many as twelve Otomat and Styx missiles to be fired if the order were issued.

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We believe that Libya's new SA-5 complex will pose only a slight threat if the US penetration of the Gulf occurs within the next week. Qadhafi's public claim that they are operational probably is exaggerated.

- Two or three of the launchers are likely to be hooked up by the time of the penetration, but their ability to hit a target with any accuracy is quite low until supporting radars are calibrated. This constraint applies even if Soviets man the missiles for the Libyans.

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### The Effect of Economic Sanctions

The cutoff of US economic ties with Tripoli will have some immediate disruptive effect, but will have little impact over the longer term without substantial involvement from other OECD countries. Most of the \$300 million worth of products exported by the US are generally available on world markets, although the time needed to locate new suppliers, will temporarily aggravate current shortages of consumers goods in Libya.

Tripoli will have greater difficulty replacing the \$300 to \$400 million in services provided by US companies. US companies have as much as \$3 billion in outstanding contracts which will have to be renegotiated with other firms. Most of Libya's development program has little impact on the average Libyan, however, and the slowdown in the economy has greatly delayed the rate of project completion.

- Japanese, South Korean, or West European firms are capable of taking over US projects in the Great Man-made River Project, Qadhafi's most ambitious economic undertaking to date.

### The Oil Industry

US sanctions would be disruptive to the Libyan petroleum industry over the next one to two months if US producing and service companies pull out of Libya.

- Oil exports could fall by as much as 200,000 b/d, sixteen percent of Libya's current production. Tripoli, however, probably would take prompt action, including price cuts, to maintain its current oil output.
- We do not expect Libya to encounter significant production problems in fields currently operated by US companies due to the involvement of foreign technicians.

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- Tripoli could offer concessions to other foreign oil companies in countries such as Austria, West Germany, Italy, France, Finland, Brazil, or even Romania. Alternatively, Libya may nationalize the companies and operate them with foreign technical assistance as happened after Exxon's withdrawal from Libya in 1981.

Over the longer term, US sanctions would not significantly affect Libyan petroleum operations unless our allies follow suit.

- Most US companies provide services to Libya through their West European subsidiaries, often using European personnel.
- The number of US oilfield workers in Libya probably is no more than 500-800 workers and replacements could be recruited from a number of countries.
- Essential oil field equipment and services can be supplied by other foreign countries.

The likelihood of Libya's other trading partners following the US lead is not high. Many of these countries particularly the Europeans and South Korea, are owed hundreds of millions of dollars from the Libyans and can only expect repayment by crude oil barter. Others have valuable equipment and construction and service contracts with the Libyans.

#### How Qadhafi Will Use Sanctions

Qadhafi probably will use economic reprisals to marshal support for even greater domestic austerity and to blame Washington for any further deterioration in economic conditions.

Qadhafi is unlikely to detain US citizens or take them hostage. Following the initial imposition of sanctions in 1982, for example, Qadhafi even helped expedite the departure of US citizens as a propaganda ploy.

- Qadhafi probably believes any move against US personnel would be used to justify a US military strike against Libya. Qadhafi may offer lucrative incentives to retain the services of select highly skilled workers, however.
- Some 400 to 500 US citizens did not leave Libya in 1982 because of family or cultural ties in Libya and they probably will remain.

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Western Oil Companies in Libya

<u>Name</u>	<u>Foreign Ownership (Percent)</u>	<u>Current Crude Liftings (Thousand b/d)</u>
<u>United States</u>		
OASIS		
Conoco	16	64
Marathon	16	64
Amerada	8	32
WR Grace	12	14
Occidental	37	46
		<u>220</u>
<u>Western Europe</u>		
Elf* - France	49	2
Wintershal - Federal Republic of Germany	49	2
Vera* - Federal Republic of Germany	35	21
OMV* - Austria	12	15
AGIP* - Italy	50	30
		<u>120</u>

\* Includes total or substantial government ownership

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